

**State of Alaska**  
**ALASKA RETIREMENT MANAGEMENT BOARD**  
**OPERATIONS COMMITTEE MEETING**

**Location:**

Alaska State Museum, Lecture Hall  
395 Whittier Street  
Juneau, Alaska

**June 19, 2019**

**ATTENDANCE**

**Committee Present:** Tom Brice, *chair*  
Robert Johnson  
Gayle Harbo  
Norm West  
Bob Williams  
Lorne Bretz

**Committee Absent:** Commissioner Kelly Tshibaka

**Other Trustees Present:** Commissioner Bruce Tangeman

**Department of Revenue Staff Present:**

Greg Samorajski (deputy commissioner)  
Bob Mitchell (chief investment officer)  
Pamela Leary (director, Treasury Division)  
Stephanie Alexander (board liaison)

**Department of Administration Staff Present:**

Kevin Worley (CFO, Division of Retirement & Benefits)

**Others Present:**

Bill Jennings (ARMB IAC)

**I. CALL TO ORDER**

TOM BRICE, as CHAIR, called the meeting to order at 3:51 p.m.

**II. ROLL CALL**

Six committee members were present at roll call to form a quorum.

**III. PUBLIC MEETING NOTICE**

Board liaison STEPHANIE ALEXANDER confirmed public meeting notice had been met.

**IV. ELECTION OF CHAIR**

CHAIR BRICE informed this item was conducted at the previous April meeting.

**V. A. Approval of the Operations Committee Agenda**

MS. HARBO moved to approve the agenda. MR. WILLIAMS seconded the motion.

MR. JOHNSON requested an informational item be placed on the agenda regarding NCTR membership. CHAIR BRICE noted the informational item will be placed under Xa.

The motion to approve the amended agenda, including Item Xa. NCTR membership, passed without objection.

**B. Approval of the Operations Committee Minutes  
-April 3, 2019**

MS. HARBO moved to approve the Operations Committee Minutes of the April 3, 2019 meeting. MR. WILLIAMS seconded the motion.

The motion passed without objection.

**VI. PUBLIC/MEMBER PARTICIPATION, COMMUNICATIONS,  
AND APPEARANCES**

None

**VII. ARMB LEGISLATION SUMMARY**

CHAIR BRICE requested KEVIN WORLEY, CFO, Division of Retirement & Benefits, present the legislative summary. MR. WORLEY described the legislation that impacts the Division of Retirement and Benefits (DRB). House Bill (HB) 39 has been passed out of the Legislature and to the Governor. There are additional State contribution and appropriation amounts for fiscal year 2020 (FY20). The amounts are \$159 million for PERS, \$141 million for TRS, \$5 million for JRS, and \$860,000 for NGNMRS.

MR. WORLEY informed Senate Bill (SB) 44 passed. It is an act relating to prescription drugs. No impact is anticipated to members and the Division. This will expand provider eligibility to participate in telemedicine.

MS. HARBO requested information on the sponsor for SB 102. MR. WORLEY noted he will provide the sponsor information. MS. HARBO communicated retirement incentives are not good for the system. Retirement incentives were used in late '80s and early '90s and caused devastating effects to the system in early 2000. Early retirements were taken at ages 40 through 46, and healthcare benefits were provided for life.

**VIII. ARMB TRAVEL AND BUDGET DISCUSSION UPDATE**

CHAIR BRICE requested PAMELA LEARY, director, Treasury Division, discuss the ARMB travel and budget update. MS. LEARY advised the previously presented budget has been transmitted and is still in effect. MS. LEARY noted she has been directed to maintain the line items as presented. No funds are to be moved or transferred from one line item to another. The Office of Management and Budget (OMB) will scrutinize the budget more closely.

MR. JOHNSON emphasized the significant value of all Board members being present during meetings to engage in statutory prescribed joint Board decisions. He believes teleconference meetings are not satisfactory and do not provide the greatest advantage of collegiality in rendering good decisions. MR. JOHNSON expressed his hope the COMMISSIONER can find ways to approve critical Board member travel in September. If additional funds cannot be provided, he requested adjustments be made to other travel arrangements in the budget so travel can be made by all Trustees for the September Board meeting.

CHAIR BRICE informed COMMISSIONER TANGEMAN is present at the meeting, and requested he relay MR. JOHNSON's concerns and message to COMMISSIONER TSHIBAKA. CHAIR BRICE asked the Administration to consider utilizing video conference from Anchorage to Juneau for the September meeting if travel cannot be arranged.

MS. HARBO echoed the comments of MR. JOHNSON and the importance of all Board members being present at the September meeting.

MR. WEST noted he will have to travel to Anchorage and attend the September teleconference meeting in an office with a landline because he only has cell phone access. It is not feasible to attend telephonically from a cell phone for three meeting days.

MR. WILLIAMS expressed concern for the loss of quality of process and discussion by conducting a meeting telephonically. He noted the valuable in-person interaction and discourse that occurs during meeting breaks.

MS. LEARY advised the memorandum from the Administration asked State boards to limit travel to one board meeting annually and conduct all other meetings by video conference. MS. LEARY informed the Board may seek a waiver from the Director of Boards and Commissions. MR. JOHNSON offered to assist in any way necessary in communicating with the Director of Boards and Commissions regarding a waiver.

COMMISSIONER TANGEMAN noted he hears the Trustees concerns. He advised the budget being released next week is approximately \$500 million. Every single board and department is experiencing the same 50% travel reductions. COMMISSIONER TANGEMAN suggested the possibility of selecting the September Board meeting as the one meeting to attend in-person and the December Board meeting to be held by video conference. He believes due diligence travel by State investment officers outranks Board meeting travel, because the Board can still conduct business by video conference.

## **IX. POLICIES AND PROCEDURES RECOMMENDATIONS**

### **Action: Intermediate U.S. Treasury Fixed Income**

CHAIR BRICE requested BOB MITCHELL, chief investment officer, to review the policies and procedures recommendations. MR. MITCHELL explained the two action items before the Committee are recommendations to present adjustments to the full ARMB Board regarding the Intermediate U.S. Treasury Fixed Income Investment Guidelines and new Domestic Fixed Income Investment Guidelines.

MR. MITCHELL informed these are responses to Callan's recommendations following their review of the Investment Guidelines. The changes shown in the redline version of the Investment Guidelines are small technical clarifying elements of the guidelines. MR. MITCHELL requested the Operations Committee recommend the Alaska Retirement Management Board adopt Resolution 2019-05 modifying the Intermediate U.S. Treasury Fixed Income Investment Guidelines.

MS. HARBO moved the Operations Committee will recommend the Alaska Retirement Management Board adopt Resolution 2019-05 modifying the Intermediate U.S. Treasury Fixed Income Investment Guidelines. The motion was seconded.

CHAIR BRICE requested MR. MITCHELL provide a brief overview of the changes to the guidelines. MR. MITCHELL explained;

- The purpose statement will include the words, "to generate income, and to provide liquidity as required."
- The performance standards will use a rolling 6-year period, rather than a 5-year period, and the index name will be updated to the current name Bloomberg Barclays Intermediate U.S. Treasury Index throughout.
- The investment structure permissible U.S. dollar debt investments will remove the use of bankers acceptances, and clarify the use of the Alaska Department of Revenue's internally managed short-term or substantially similar portfolio.

The motion passed without objection.

**Action: Domestic Fixed Income**

MR. MITCHELL advised the next action item relates to the recommendation to adopt a new set of Investment Guidelines that covers domestic fixed income. Staff will recommend an asset allocation to the full Board that contains a higher allocation to fixed income, which affords the ability to broaden the investment into additional investment grade bonds. The intent is to shift the fixed income portfolios from Treasury securities to investment grade U.S. dollar denominated bonds. The new set of Investment Guidelines will only be utilized if the Board accepts the recommendation to a higher allocation to fixed income. MR. MITCHELL explained the new set of Investment Guidelines was drafted by adapting the existing guidelines for Intermediate U.S. Treasury to meet the specifics of domestic fixed income. The redline draft was presented.

MS. HARBO moved the Operations Committee recommends the Alaska Retirement Management Board approve Resolution 2016-06 adopting the Domestic Fixed Income Investment Guidelines, and authorize staff to create an account and invest a portfolio subject to these investment guidelines. The motion was seconded.

CHAIR BRICE requested MR. MITCHELL review the redline document. MR. MITCHELL explained;

- The name, resolution number, date, and section numbers will be updated throughout.
- The investment management service to be performed will remove the intended emphasis of U.S. Treasury securities.

- The performance standards benchmark name will be updated to Bloomberg Barclays Aggregate Index throughout.
- A new Section 10. will be added to allow for the investment of up to 5% of the portfolio at the time of purchase in high yield securities.
- The portfolio constraints will modify the amount of investment allowed in corporate debt, in BBB+ to BBB- rated debt, and in any one corporate sector.

The motion passed without objection.

## **X. SCOPING FOR FUTURE MEETINGS**

### **a. Calendar Discussion and NCTR Membership**

MR. JOHNSON reported a request was made to renew the membership of the ARM Board/State of Alaska to the National Council of Teacher Retirement (NCTR). The renewal membership fee is \$2,000. MR. JOHNSON inquired and noted there are specific and sufficient funds for the valuable membership that cannot be reallocated to travel. MR. JOHNSON noted he will ascribe and approve the membership renewal, unless objection is rendered. There was no objection. MS. HARBO provided the website address and informed the NCTR conducts an annual trustee conference and an annual education conference.

### **b. Potential Topics**

Potential meeting topics included:

- Review of policies and procedures for proxy voting by managers on behalf of the shares owned in the retirement plans
- Review of policies regarding the current operating agreements with managers related to active due diligence, rights and responsibilities

MS. HARBO requested the written report be provided to members of the results from the staff and IAC manager reviews.

## **XI. OTHER MATTERS TO PROPERLY COME BEFORE THE COMMITTEE**

None

## **XII. PUBLIC / MEMBER COMMENTS**

None

## **XIII. ADJOURNMENT**

MS. HARBO moved to adjourn the meeting. The motion passed without objection.

The meeting was adjourned at 4:30 p.m.

Note: An outside contractor recorded the meeting and prepared the summary minutes. For in-depth discussion and presentation details, please refer to the recording, staff reports, and written presentation materials on file at the ARMB office.